

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 1985 – SB 1956

March 4, 2022

SUMMARY OF BILL: Creates the “Annual Coverage Assessment Act of 2022”, which extends an annual coverage assessment on hospitals of 4.87 percent of a covered hospital’s annual coverage assessment base.

FISCAL IMPACT:

Increase State Revenue – \$609,301,600/FY22-23/

Maintenance Coverage Trust Fund

Increase State Expenditures – \$609,301,600/FY22-23/

Maintenance Coverage Trust Fund

Increase Federal Expenditures – \$1,190,521,600/FY22-23/

Maintenance Coverage Trust Fund

The Governor’s proposed budget for FY22-23, on page A-32, recognizes revenue in the amount of \$609,301,600 in state funds and \$1,171,814,200 in federal funds.

Assumptions:

- Based on information provided by the Division of TennCare (Division) the 4.87 percent annual coverage assessment on hospital net revenues (as reported to Centers for Medicaid Services) will result in an increase in revenue to the Maintenance of Coverage Trust Fund (MCTF) of \$609,301,552.
- The total expenditures that would be matched using Medicaid’s federal medical assistance percentage is \$1,797,773,170. This would match funds at a rate of 66.165 percent federal funds to 33.835 percent states funds. Of this amount \$608,276,552 (\$1,797,779,170 x 33.835%) would be states funds, and \$1,189,496,618 (\$1,797,773,710 x 66.15%) would be federal funds.
- The total expenditures that would be matched using Medicaid’s 50/50 administrative match is \$2,050,000. Of this amount \$1,025,000 (\$2,050,000 x 50%) would be state funding and \$1,025,000 (\$2,050,000 x 50%) would be federal funding.
- The total expenditures for the proposed legislation would be \$609,301,552 (\$608,276,552 + \$1,025,000) in state funding, and \$1,190,521,618 (\$1,189,496,618 + \$1,025,000) in federal funding.
- The total increase to the MCTF is approximately \$1,799,823,170 (\$609,301,552 + \$1,189,496,618).

IMPACT TO COMMERCE:

Increase Business Revenue – \$1,799,823,200/FY22-23

Increase Business Expenditures – Less than \$1,799,823,200/FY22-23

Assumptions:

- Hospital providers will incur an increase in federal revenue in FY22-23 to cover costs of services provided.
- Hospital providers will incur an increase in expenditures in FY22-23 for funding the state portion of the Act
- The proposed legislation will not increase the number of hospital providers. It merely deals with the way providers are reimbursed; therefore, any impact to jobs in Tennessee is estimated to be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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